



73/84

## THE EUROPEAN COMMUNITY AND INDIA

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This information note is published by the European Commission's Directorate-General of Information on the occasion of the meeting of the EEC/India Joint Commission, to be held from 5 to 7 May 1984 in New Delhi. It replaces the previous note 62/82 on the same subject.

## I. Introduction

The relations which have existed between the European Community and India for the last 22 years are varied and constantly changing. They now extend beyond purely commercial or sectoral interests to take in international economics and politics.

The keystone of these relations is the commercial and economic cooperation agreement, which provides India and the EC with a favourable legal basis for expanding their cooperation. There are indeed many possibilities for cooperation given the industrial, scientific and human resources which India possesses.

Cooperation between the European Communities and India is supplementary to bilateral activities between EC Member States and India which in turn cover many fields, including an important development aid.

Apart from the cooperation agreement, India and the EC cooperate at international level; whether in the United Nations, the North-South dialogue, GATT or UNCTAD, they are partners with often converging interests, each playing a constructive mediation role in its own field.

## II. History of relations between the EC and India

Diplomatic relations were established in 1962 between India and the then Community of six western European countries (Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands).

India was primarily concerned at that time with safeguarding its access to the UK market once Britain had joined the EC. It is significant that the collapse of the 1961/63 negotiations for Britain's entry did not mark the end of India's relations with the Common Market. On the contrary - in 1964 the Community suspended at zero its tariffs on tea in bulk, a major Indian export, and on certain East Indian spices and skins.

This was followed by a bilateral agreement on jute and another on coir. At India's request the EC opened duty-free quotas for its exports of silk and cotton handloom fabrics and handicrafts. When the Community introduced its Generalized System of Preferences (GSP) in 1971, it expected India, which had played a key role in the negotiations leading up to the UNCTAD resolution on generalized preferences, to be one of the principle beneficiaries.

By 1972 when the Community was enlarged to include Denmark, the UK and Ireland, trade relations between the EC and India had developed to the point where both the EC and Britain felt the existing network of bilateral and other arrangements, especially the GSP, could be counted on to safeguard India's exports to the UK market. As a result, Community action was limited to the Joint Declaration of Intent (JDI) which the EC issued jointly with Britain in 1972. The Declaration proclaimed the Community's "will to strengthen and extend its trade relations" with India (and other developing countries in Asia) (1) and to examine with them "such problems as may arise in the field of trade with a view to seeking appropriate solutions."

### III. India's special role

In a sense, the JDI countries owe their special status largely to the efforts of India. The EC included them in the network of sectoral arrangements it had concluded with India, and the Community's commercial cooperation agreement with New Dehli in 1973 was the first of a whole generation of such agreements. Similarly, the 1981 commercial and economic cooperation agreement is serving as the inspiration for the new generation of cooperation agreements which is replacing the earlier agreements.

India's success was partly a question of timing; it was among the first countries in Asia to recognize the importance of the emerging Community. But in acceding to India's request for a closer economic relationship, the EC was also responding to the country's unique position in the Third World. Its large population - estimated at 712 million in 1982 - and a land area roughly twice that of the 10-nation EC make India a giant among developing countries.

India is also a major industrial power, producing a wide range of manufactured products for both the home market and for export. It has a work force which is rapidly acquiring the skills needed to develop the most technologically advanced industries - petrochemicals, electronics, nuclear power, aerospace and communications, to name but a few. The fact that India is also one of the poorest countries in material terms, with an estimated per capita income of \$ US 252, only serves to underline the country's enormous potential for growth.

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(1) Sri Lanka, India, Malasia, Pakistan and Singapore

#### IV. Contractual relations

##### Commercial and Economic Cooperation Agreement

The commercial cooperation agreement (1) concluded by India and the Community in 1973 has facilitated commercial cooperation, an excellent example being the Indian Trade Centre opened in Brussels in 1980 with financial help from the Community.

On the occasion of the visit to the Commission in June 1978 of Mr. Moraji Desai, then Prime Minister of India, agreement was reached on beginning exploratory talks aimed at enlarging the basis for cooperation.

The negotiations finally resulted in the signing on June 23, 1981 of a new five-year agreement on non-preferential commercial and economic cooperation (2). This agreement came into force on 1 December 1981 and provides for new forms of joint action in trade, industry, science, energy and finance.

A Joint Commission was set up to monitor the implementation of the agreement (the Community is represented on this Commission by the European Commission, with the assistance of representatives of Member States). Its task is to promote the development of relations in all fields and monitor the operation of other sectoral agreements concluded between the Community and India.

The Joint Commission held its first meeting in New Delhi in January 1982. At its second meeting in Brussels on 30 and 31 May 1983, the Joint Commission adopted a wide programme of trade promotion in India's favour; it decided to intensify the programme of industrial cooperation started in 1982 and set up priorities for cooperation in science and technology.

At the third meeting on 5 - 7 May 1984 in New Delhi, the Joint Commission will examine the work accomplished since the Brussels meeting and decide on the next stages in cooperation.

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(1) Official Journal L 82/74

(2) Official Journal L 328/81

## Sectoral agreements

### 1. Textiles

India is a major supplier of textiles and clothing to the EC. The following table shows the development of imports from India since 1973.

#### EEC : Imports of textiles, clothing and floor coverings from India

(million ECU)

	<u>1973</u>	<u>1976</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Total	138	347	669	723	701
Yarn, fabrics, made-up articles	87	154	240	192	159
Carpets	20	45	129	162	177
Clothing	31	148	300	369	365

Source : Statistical Office of the European Communities

The agreement on textile products reached under the GATT Multifibre Arrangement (AMF) II was adopted on 26.9.1982 and has been applied de facto since 1.1.1983 (after the previous agreement (1) expired on 31.12.1982). Although it involves a voluntary restraint arrangement for certain categories of products, it also guarantees access to the Community market under improved conditions.

In addition to the generalized preferences, India also benefits from import-duty free quotas which the EC grants annually for handicraft and handloom products. India is the largest single beneficiary of this system among Asian and Latin American countries.

The European-Indian agreement on jute products (2), in force since 1.1.1980, expired on 31.12.1983. As provided for in the agreement, the Community did away with all tariff and quota restrictions on imports of jute products with effect from 1.1.1984.

Under the Generalized Preference System, the Community also did away with all tariff and quota restrictions on coir products at the end of 1982.

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(1) Official Journal L 273/81

(2) Official Journal L 43/82

## 2. Sugar

Sugar imports by the EC are regulated by two agreements - the ACP Sugar Protocol under the Lomé Convention (more than 60 African, Caribbean and Pacific countries are associated with the EC under this Convention) and the European-Indian cane sugar agreement (1), which was signed and came into force for an unlimited period on 18.7.75. Under these agreements, the EC undertakes to import annually up to a total of 1.3 millions tons of sugar at prices which are generally higher than world market prices. Within this margin, each supplier country has a fixed quota of preferential sugar.

When supplies failed, India's quota of 25,000 tonnes was reduced to zero with effect from 1 July 1981.

When production went back up again, India asked in 1982 for its initial quota to be restored. Accordingly, the EEC Council of Ministers was able to give its agreement on 22 December 1983 reestablishing India's quota at 10,000 tonnes. Following an exchange of letters formalizing this agreement, the new quota will take effect retroactively from 1 July 1983.

## V. Trade

The table below shows the development in trade between the EC and India since 1973 (the year in which Britain joined the EC).

Trade between the EC and India (million ECU) (2)

	<u>1973</u>	<u>1976</u>	<u>1979</u>	<u>1981</u>	<u>1983</u>
EC imports	655	1,407	1,839	1,880	2,196
EC exports	676	1,122	2,009	3,363	3,823
Balance	+21	-285	+170	+1,483	+1,627

Source : Statistical Office of the European Communities

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(1) Official Journal L 190/75

(2) The ECU or European Currency Unit is a "basket" unit, based on a certain quantity of each Community currency. It offers a better measure of EC trade flows than the US dollar.  
1 ECU = \$ US 0.86 (April 1984)

India's mounting trade deficit with the EC reflects the increased overall deficit in its external trade since the government introduced a policy of easing import restrictions. India has repeatedly expressed its concern at this situation and has asked for access for its products to the EC market to be further facilitated by wider application of the Generalized Preference System and increased trade promotion aid. The Community has promised to help India develop its exports, but in return India will have to further improve the quality of its exports to the EC in order to make them easier to sell.

India's share of the Community market is still less than 1% of the total. Neither is India an important market for the Community; exports to India represented only 1.3% of the total Community exports in 1982.

However, there has been an impressive increase in trade. 27% of India's total exports went to the EC in 1982, compared with 16% to the USA, 12% to Japan, 10% to the oil-exporting countries and 7% to the Soviet Union.

Of the EC countries, the UK is still the principal market for Indian products, accounting for 27% of Indian exports to the EC in 1982, but it is closely followed by France and Federal Germany with 26% and 20% respectively.

The EC is also India's main supplier - of total Indian exports in 1982, 27% came from the Community (of which more than a third from the UK), as against 19% from the oil-exporting countries (mainly due to the 1979/1980 rise in oil prices), 11% from the USA and 10% from Japan.

More than half of EC imports from India were made up of manufactured goods (textiles - clothing, carpets, cotton and jute fabrics - worked diamonds and leather). The rest was made up of agricultural products (tea, cattle cake, raw tobacco etc.) and oil products.

EC exports to India mainly consisted of machinery, engineering products, transport equipment and manufactured goods such as chemicals, food products, oils and fats, etc. Some of these exports were carried out under the Community's food aid programme, while others were purely commercial transactions.



### Generalized System of Preferences (GSP)

India is one of the main beneficiaries of the Community's Generalized System of Preferences, ranking 6th in 1981 and 1982. Under this system, developing countries are allowed total exemption from tariffs for industrial and textile goods (with certain limitations on the amounts of some goods so exempted), and generally reduced tariffs for agricultural products. In 1981, 42% of Indian exports of goods covered by the GSP scheme entered the Common Market under preference (1).

In the agricultural sector, 68% of imports of eligible products entered under the GSP scheme. Products which particularly concern India include packed tea, castor oil, salted hilsa (a kind of fish), various spices, pine resin and flue-cured Virginia tobacco.

In the manufactured goods sector, 39% of Indian exports covered by the scheme benefited from tariff exemptions, mainly leather articles, shoes and various chemical products.

For textile products, India is by far and away the main beneficiary, with 35% of the total. Slightly more than 40% of Indian exports entered at the zero tariff rate, mainly clothing, carpets and jute products.

### **VII.** Promoting India's exports

India has received the biggest share of credit in the EC's trade-promotion budget. The Community is paying out nearly \$ US 2.5 million over a period of four years for the Indian Trade Center in Brussels which was officially opened in February 1980 by the Vice-Chairman of the European Commission, Wilhelm Haferkamp.

The Centre's activities are aimed at promoting India's exports to the EC. They are directed by Indian advisors and the sectors covered include engineering products; electronics; leather and leather goods; jute and coir products; textiles and agricultural products.

The trade promotion programme also includes visits by trade missions, the organization of workshops and seminars and Indian participation in European trade fairs and exhibitions.

Indian manufacturers have always been attracted by trade fairs; provided the fairs are carefully chosen, they offer a quick and effective way of reaching buyers from all over the Community (and from other industrialized countries). In 1984, Indian firms expect to display amongst other products, hardware, leather and electronic products at specialized fairs and to take part in workshops.

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(1) Final figures for 1982 are not all available yet.

## VIII. Economic cooperation

As mentioned earlier, the new commercial and economic cooperation agreement made it possible for the EC and India to cooperate more effectively across the whole range of economic endeavour. In January 1982, the Commission organized seminars for the first time on problems and prospects of Indian-EC relations in the four main cities of India - Bombay, New Delhi, Calcutta and Madras - which brought together Indian businessmen and industrialists, leaders of the Chambers of Commerce representing the EC Member States in India, and members of the Commission Delegation.

The Council of EC Chambers of Commerce in India was formed at that time; this was officially inaugurated in New Delhi on 2.11.1982 by the President of the European Commission, Mr. Thorn, who emphasized the Council's role in organizing direct contacts between the economic operators of India and the Community.

In November 1982, the Community participated for the first time in the New Delhi International Trade Fair, with a European pavillion covering the stands of the ten Member States and the EC stand. This pavillion was one of the fair's main attractions and was instrumental in introducing to the Community not only businessmen but also various sections of the Indian population.

Also in November 1982, the Community launched the first part of an important programme to promote economic cooperation, with the aim of making interested firms aware of the improved conditions for investment in India. Seminars were organized in Düsseldorf, Paris and Stratford-up-Avon with the aim of informing the business world of the opportunities for industrial collaboration in India.

These seminars were followed up with a large industrial conference in New Delhi held from 16 to 18 January 1983, which enabled 113 European industrialists (the largest trade delegation from the EC ever to visit India) to meet their Indian counterparts and discuss with them the possibilities for cooperation in the form of joint ventures, licencing agreements, etc. Participants at the conference were drawn from four sectors which seemed the most promising for cooperation between the two parties, ie. automobile parts, industrial plastics, electronics and telecommunications.

An investor's guide entitled "The key to investment in India" was published for the benefit of participants at these events and other circles concerned.

These events have produced striking results, in India and in Europe: about 20 contracts have been signed or are in the process of being concluded, and a similar number are under discussion, mainly covering automobile parts and electronics.

A seminar on technology transfer organized jointly by the EC and India was held in New Delhi on 16 and 17 April 1983. This seminar reviewed the results of the first phase of the study on the supply and demand aspects of transfer of technology from the EC to India. The study is being carried out jointly by the Indian National Council for Applied Economic Research and a number of entrepreneurs from the Community as part of the commercial and economic agreement. It is due to finish in 1984 and will be followed by a second seminar in Europe, probably towards the end of 1984.

The programme for 1984 also includes sectoral conferences and a workshop on machine-tool accessories, to be organized in India. The Community will also supply technical assistance to the Indian Investment Centre in Frankfurt, the Indian government's main agency for the promotion of foreign investment.

#### IX. Scientific and technical cooperation

The new agreement also offers a firmer legal basis for technological and scientific cooperation. A Science and Technology Joint Commission has been set up to select and draw up joint research and development programmes.

One of the first such research projects, begun in 1982, concerns more efficient conservation of energy on fishing boats. Another two projects concerning tropical agriculture and medicine were chosen when the Joint Commission met again on 30 and 31 May 1983.

Other projects to do with fossil resources, energy and the environment have been submitted to the Joint Commission, but these cannot be considered until the Council of Ministers (a) reaches a decision on the European Commission's proposal for setting up a "programme to help developing countries develop their indigenous scientific and technological research capacities" and (b) decides how much money to allocate for this programme for the years 1984 to 1987.

#### X. Community aid for India

Given the sheer size of the Indian economy, it is hardly surprising that the Community's relations with that country are seen largely in economic and, more specifically, commercial terms.

Even so, India is the largest single recipient of Community aid to "non-associated" countries. If the sums involved are small in relation to the aid extended bilaterally by individual Member States, the Community's aid programmes are more varied, covering as they do trade promotion, disaster relief, training programmes, food aid and financial support for rural development projects, including those implemented by non-governmental organizations.

Most of the aid is provided under (a) the Community's food aid programmes and (b) its expanding programme of project aid to the "non-associated" developing countries of Asia and Latin America. Food aid goes largely to support Milk Flood, an ambitious project which seeks to help some 10 million families through the increased production and marketing of milk. Under Operation Flood I, the EC made available, mainly through the World Food Programme, some 126,000 tonnes of skimmed milk powder and 42,000 tonnes of butteroil, valued by the WFP at just over \$ US 150 million in 1975.

Operation Flood II is on an even larger scale. Its overall cost has been estimated at \$ 550 million, of which roughly half is to be met through the sale of Community food aid. Starting in 1978, the EC supplies an average of 31,000 tonnes of skimmed milk powder and 12,700 tonnes of butteroil per year. The estimated cost to the Community (including transport costs) has been put at ECU 50 million annually.

The EC's contribution to Operation Flood is regarded by the European Commission as a prime example of how food aid can be used to promote long-term rural development. What is more, it represents a several year commitment in food aid in conjunction with the World Bank.

Project aid is provided under the "non-associate" programme, as it is called. It is in the form of grants and is focused on rural development. India's share currently amounts to some 27% of the total, amounting to ECU 50 million in 1982.

In the last two years, the EC has tried to ensure quick disbursement of its project aid. Since 1979, for example, the bulk of the aid has been used to supply fertilizers worth some ECU 45 million in 1982.

The "counterpart funds" (ie. funds collected from the sale of fertilizer by the Indian government) have been used by the Indian government to finance rural development projects, including agricultural credit programmes and the construction of drinking water supplies. Finally, it is worth mentioning that India has provided training to other developing countries under some Community-financed aid programmes.

In summary, India receives the largest amount of Community aid of any recipient country, now worth approximately ECU 100 million per year. This total does not however include development aid given directly to India by Member States, which totalled \$ 6.1 million in 1981. Comparing these sums with the amount of aid given by the USA (\$ 183 million in 1981) gives a better idea of the effort made by the Community as a whole in supporting India's development.

## XI. Work of the European Parliament

The first contacts between the European Parliament and the Indian Parliament go back to 1962, when a delegation from the European Parliament visited India. Indian MPs visited Luxembourg in 1976.

Other meetings have been held under the commercial and economic cooperation agreement, the first such meeting having taken place in New Delhi in November 1981, when MEPs were received by the Prime Minister, Indira Gandhi. In June 1983, Indian MPs were invited to the European Parliament in Strasbourg to take part in workshops and discussions with representatives of the different political groupings in the European Parliament.

In a resolution passed in October 1981, the European Parliament noted its satisfaction with the conclusion of a new cooperation agreement and expressed its hope that this agreement would contribute India's development.

At the beginning of 1984, the European Parliament issued a report on problems of urbanization in the third world, part of which was devoted to the highly precarious situation in Indian cities. The conclusions drawn by this report will be of use in drawing up projects, etc.

## XII. Regional cooperation in the South of Asia - SARC

India is part of the South Asian Regional Conference (SARC), a new regional cooperation grouping of countries of South Asia which includes Bangladesh, Bhutan, the Maldives Islands, Nepal, Pakistan and Sri Lanka.

SARC member countries cooperate in various fields, including the economy, social affairs and scientific and technical research. An important aim of this cooperation is to make their voice better heard in international forums.

SARC was officially inaugurated on 2 August 1983 when a conference of foreign ministers in New Delhi adopted a joint declaration and issued a communiqué.

The European Community, as a regional entity, can only encourage this form of cooperation. To this end it has offered financial aid to be used for research projects on energy and transportation.

## XIII. The European Commission's Delegation and Press and Information Office in India

Since 10 June 1983, the European Commission is represented in India by a Delegation based in New Delhi, Taj Palace Hotel - Room No. 164 - Sardar Patel Marg - Chanakyapuri.

The Press and Information Bureau attached to the Delegation is available to answer questions from journalists or the public and supply documentation on Community activities.

# EUROPE INFORMATION "EXTERNAL RELATIONS"

The following copies of "European Information" are still available, and may be obtained from:

Directorate-General for Information  
Documentation Service, Berl. 2/74 A  
Commission of the European Communities  
Rue de la Loi 200  
B - Brussels

- 37/80 List of main EEC agreements with other countries
- 40/80 The Community of Ten in figures
- 41/81 The Generalized System of Preferences and the European Community
- 43/81 Spain and the European Community
- 44/81 The European Community's Textiles Trade
- 45/81 The European Community and Bangladesh
  
- 47/81 The European Community and Japan
- 48/81 The European Community and Sweden
- 49/81 The European Community and Norway
  
- 53/81 The European Community and Central America
- 54/81 The European Community and Canada
  
- 57/82 The European Community and the United States
- 58/82 Portugal and the European Community
  
- 61/82 The European Community and the EFTA countries
  
- 63/82 The European Community and Brazil
- 65/83 The European Community and Yugoslavia
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